





SOUTH KOREA: LIVING THE NEW NORMAL

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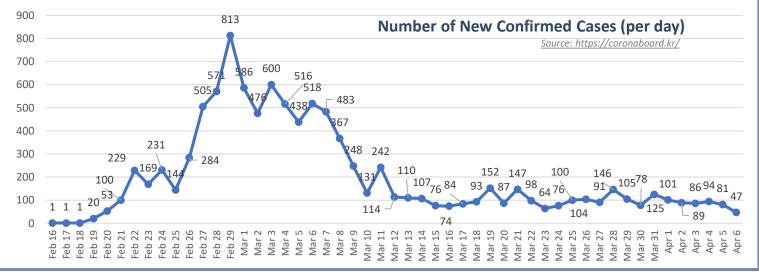




COVID-19 in South Korea

Since the first confirmed case emerged on January 20, 2020, COVID-19 has reached its peak on February 29 having 813 cases which was directly related to Shinchonji religious group. However, the situation has improved much and daily infection rates went down with the proactive KCDC-level controls. As of April 6, Ministry of Health and Welfare (MOHW) reported the national's total number of infection cases as 10,284, (including 563 cases in Seoul) and number of new cases as around 50 to 90 a day.

Currently, of the confirmed cases, around 30%-40% were cases of overseas inflow. Mostly confirmed cases identified in South Korean students who have recently returned home from the U.S. or European countries, short-term visitors and foreign tourists.



Reference: April 6, 2020: MOHW



Korean Companies Produce and Ship COVID-19 Testing Kits Worldwide

According to the Ministry of Health and Welfare and the Korean Health Industry Development Institute (KHDI), currently 27 Korean companies are producing and shipping COVID-19 testing kits worldwide.

Image Source: March 29, 2020; Yonhap News

Reference: April 1, 2020; KHIDI

Korean Government Control of PPE: Masks

South Korea has enough ventilators available for use in hospitals and testing kits for all of the potential patients. Nevertheless, due to the personal protective equipment (PPE) shortage such as masks, South Korean government implemented **5-day rotation mask** system to sell out of KF-94 face masks, the equivalent of the American N95. Korean citizens and foreigners can buy two masks per week on designated days by presenting their ID card/ARC card at pharmacies, post offices and stores operated by the National Agriculture Cooperative Federation. In addition, Korean government also banned local companies to export their PPE goods.



Reference:

March 10, 2020; JoongAng News

2) March 9, 2020 JTBC

Image Source: March 19, 2020; Seoul Metropolitan Government

Slowly and Steadily Returning Back to Normal Life after COVID-19

In light of the evolving situation with COVID-19, South Korean government continues to impose strict social distancing rules instead of lockdown.

Due to the COVID-19, it changed Korean society and daily lives such as; hand sanitizer is installed everywhere, majority people wear mask, and thermal cameras installed at the entrance of buildings and hotels to check visitors temperature.

With the social distancing in South Korea, the COVID-19 growth rate has significantly slowed and life seems to be going on with some sense of normalcy.

- 1) March 19, 2020 Korea Culture and Information Service
- 2) March 16, 2020; iNews



(Upper) Image Source: March 12, 2020; Donga News (Lower) Image Source: March 21, 2020 Yonhap News



100 Trillion Won of Emergency Financial Funding for COVID-19 Striken Business Sectors

Korean government will support 100 trillion KRW (equivalent to US\$ 100 billion) for emergency financial funding. In order to relieve the burden corporate bond market, stock market and short-term money markets, 41.8 trillion KRW (US\$ 41.8 billion) will be put into the markets. Also, a total of 58.3 trillion KRW (US\$ 58.3 billion) in financing support for small merchants, SMEs, middle market enterprises and large companies (large companies on a case by case basis) that are facing financing difficulties from COVID-19 will be provided.

Reference: March 24, 2020; Financial Services Commission

Image Source: March 24, 2020; Issue Valley



The Social Distancing Campaign, a government-initiated movement, was first introduced on March 22, 2020. The campaign prohibits mass public gatherings and also advises people to voluntarily keep distances from others. After conducting the campaign for first two weeks, the government has decided to extend its campaign to maintain social distance for another two weeks until April 19, as the cluster of infections spread still continue despite the decrease. Citizens are strongly urged to stay home, except for work or essential needs. The government has also strongly advised people to suspend religious gatherings, indoor sports activities, visits to nightclubs and other entertainment venues.

April 2019
April 2020

Image Source: April 13, 2019; Segye Ilbo (left)/ April 1, 2020; KBS News (Right)

Under these government guidelines, local governments are taking steps such as cancelling a series of cherry blossom festivals and shutting down major attractions and streets. These changes are easily seen in the pictures taken in April 2019 and April 2020 in comparison.

Various measures are being used to practice social distancing in line with the government's campaign. But not to disrupt the employment of young people, the tests were conducted using new methods such as placing desks and chairs at intervals of 5 meters to the left, right, back, front, and back.

Image Source: April 5, 2020; Kookje



Food purchases increased during COVID-19

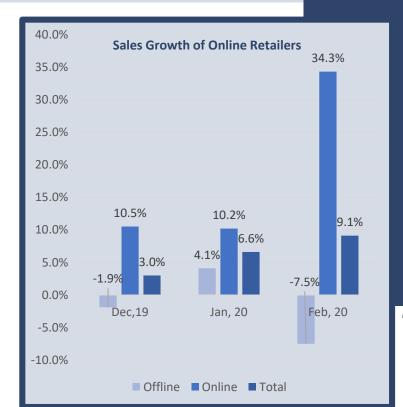
Grocery food purchases increased 23.6% during January and February, while non-food purchases declined 4.9%. The perpurchase spending amount for groceries increased 23.5 % while the purchase frequency declined 1.2 % as consumers tried to reduce shopping and stock up on non-perishable foods.

Products that saw purchase growth were beverages (30.8%), sauces & condiments (11.5 %), snacks (17.0 %), instant noodles (26.5 %), and frozen foods (13.4 %). Non-food products associated with hygiene also showed strong growth - hand sanitizer (253.8 %), soap (11.5 %), household cleanser (28.1 %), and paper tissues (22.2 %). On-line grocery shopping increased the most (75.7 %). However, grocery retail stores also had increased sales, with sales at hypermarkets and supermarkets growing 22.5 % and 13 %.

Reference: KANTAR Report







Growing Sales of Online Retailers

While online market have been notably growing along for the last decade in Korea and COVID-19 is boosting the growth of online retailers. According to the Korea Ministry of Trade, Industry and Energy (MOTIE), in February, online sales surged 34.3 % and the sales of food, sanitary items and household products were rapidly increased. Especially, the online sales of food items increased by 92.5% from a year earlier, the Ministry reported. Offline retailers, however, saw sales plunge 7.5 % in February.

In fact, online retailers in Korea are getting to focus on sales of food items from several years ago. 'Market Kurly', an online premium grocery, offers 'Early Morning Delivery' service that deliver to consumers who order food items until 11PM of the previous day for freshness of the foods. 'Emart', the largest hypermarket chain in Korea, and 'Coupang', the largest e-commerce platform operator, have also provided similar services to secure their customers. For current situations, these services are getting more popular among consumers who want to stay at home away from COVID-19. In the meantime, total transactions through online reached to \$113.7 billion in 2018, according to Statistics Korea.

Reference: Contents & Graph: <u>March 30, 2020, The Korea Ministry of Trade, Industry and Energy</u>

Food Consumption Trends & Updates

Local food consumption trends are changing due to spreading of COVID-19. According to 'Ebay Korea', 'Health Care', 'Oversize', 'Life at Home' and 'Online Shopping' are 4 key words for consumption trends, as the result of sales analysis in the 1st quarter of 2020. The sales of functional foods increased by 18% from January to March 2020, especially for vitamins and red-ginseng products. Regarding 'Oversize', people are looking for larger-sized packages of food and household items. The sales of processed foods, especially home-meal-replacements, ready-to cook or eat products, canned products and snacks with large packages are increased by 29% in the 1st quarter, compared to a year earlier. (1)

Another e-commerce company, 'Ticket Monster' reported that people look for convenience foods as they try to cook at home rather than go to restaurants. Sales of home meal replacements (HMR) such as frozen foods (up 137%) and instant noodles (up 662%) at Ticket Monster notably increased during the period of Feb 17- Mar 18. Also, demands for meal-kits are skyrocketing. The sales of meal kits at Ticket Monster increased by 1,150% as well. (2)

Reference:

(1) : March 31, 2020, JoongAng Daily
(2) : March 23, 2020, Herald Economy
Image Source (Upper): CJ Cookit

Image Source (Lower): February 18, 2020, Busan Daily

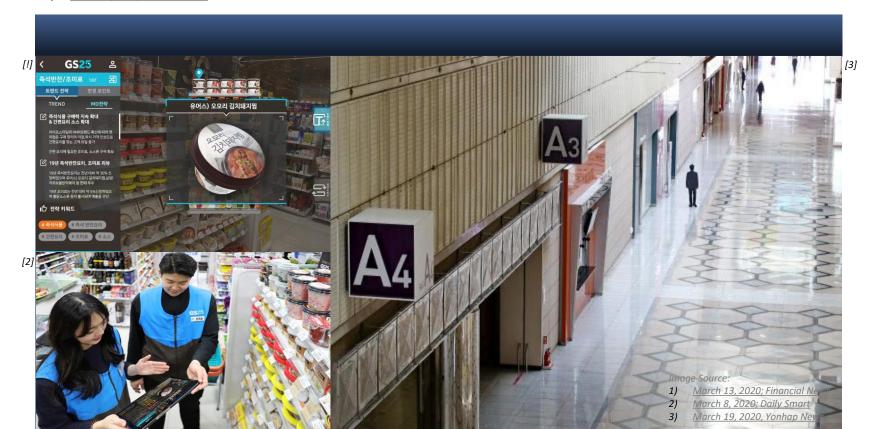


Cancellation and Postponement of Food Related Exhibitions; However...

According to small and medium-sized business, there are more than 130 exhibitions that were originally scheduled to be canceled or postponed from February to April at 16 exhibition halls in South Korea, including KINTEX and COEX. 'Seoul Food and Hotel 2020' – the largest food show in Korea, is also rescheduled to September 15-18, 2020.^[1]

However, the large convenience stores such as 'GS25', 'Seven-Eleven' and 'CU' decided to cancel the offline product exhibition this year and replace it to non-face-to-face media such as augmented reality (AR) and video. When the franchisees connect to a personal computer, table PC or smartphone, they can check the store's product shelves, new products to be launched this year and strategic products. They can check three-dimensional product shapes with various angles through the 360-degree rotation and detailed product information!²

- 1) March 30, 2020; Metro Seoul
- 2) March 13, 2020; Financial News



A Large-scale Mart Consisting of Groceries as Major Products Has No Significant Impact on COVID-19

The Ministry of Trade, Industry and Energy (MOTIE) announced that the total sales of 26 major hypermarket chains and industries (both online/offline) are increased by 9.1% compared to the previous year. (13 online stores \uparrow 34.4% / 13 offline stores \downarrow 7.5%).

As the demand for daily necessities has skyrocketed due to COVID-19, hypermarket chains have entered a daily necessities' discount event and these events are designed to increase food related products as well.

Even though passenger aircraft have not returned to full service yet, cargo aircraft is available for shipping to Asia, including Korea up to now. According to the local retailers and importers, they have been registered shipments in advance to prevent any delays.

Reference:

- 1) March 30, 2020; Newsworks
- 2) Interviews with Local Retailers & Importers conducted by KBSI

Image Source: March 22, 2020; Kookminilbo



Image Source: March 12, 2020; Kyungnam News



강영안정신로부스 강영안정신로부스 강영안정신로부스

Image Source: March 17, 2020; Joongang Ilbo



Image Source: March 4, 2020; Maeil Business Newspaper

Impacts and Forecast on General Industry by COVID-19

As noted, the spread of COVID-19 in global is rapidly increasing the negative impacts in the economy and business. Especially, there are several industries that most directly suffer a heavy blow from the pandemic, for example, the areas of related to trade, service or human activities. A more detailed look at the industrial impacts are; i) **Distribution industry**. It is simply inevitable that department stores, large stores and traditional markets will be affected by loss of sales at temporary closures. ii) Tourism and Aviation industries: these sectors are mostly connected each other and the similar reasons that will have a hard time for a while. Most countries have issued entry bans and suspended visas for travelers, which affected negatively to the airlines. As well as this, iii) Financial, Automobile, Display, Steel and other industries have a danger signals.

On the other hand, some industries have new opportunities and some positive effects are expected because of COVID-19 outbreaks, for example, Food, Game, IT and Healthcare industries due to reduced external activities of consumers. Self-quarantine changes people's lifestyle and consumption culture. Demand and sales are on the rise in the food industry, especially manufacturers of instant noodles, snacks and convenience store products. Health functional foods and healthcare industries are also expected to continuously grow their sales even after the COVID-19 outbreaks because many people start to concern their health. The game industry also have an unexpected boom as many people stayed at home, not going out for their spare time.

Reference: March, 2020; PwC, Samil Issue Report

Efficiency and Technical Change in the Healthcare Industry

It is expected to affect the healthcare industry in all over the world including pharmaceuticals, medical devices, medical services, bio-medical and telemedicine, and e-health because of COVID-19. Especially, the purpose and methods of applying Artificial Intelligence (AI) technology in the healthcare industry are expected to be more diversified.

As Bio Big Data is built and digital technology is converged in bio-healthcare field, **Smart-Health care** is expected to spread further. In particular, AI is expected to contribute greatly to improving the supply efficiency and patient care efficiency of the smart healthcare ecosystem globally.

Experts such as doctors have started to use AI to improve accuracy of data analysis and diagnosis, predict accurate results of treatment, and streamline hospital administration, and invest in AI by medical institutions such as hospitals will continue to expand after COVID-19 outbreaks. More importantly, a signification and application of Telemedicine is becoming an major issue in the healthcare industry all over the world.

Reference: March 25, 2020: Citydaily



Image Source: Getty Image Bank



Image Source: March 6, 2020; AI Times

Image Source: Getty Image

A Change of Consumer Behavior : More Demand for E-commerce and Online Shopping

COVID-19 makes another opportunity to grow for some industries such as **E-Commerce and Online Shopping**. While offline stores such as the stores and department stores are decreasing sales and also visitors, online shopping which is a non-face-to-face service, has been increasing significantly.

For example, the demand and sales are on the rise in the food industry as people spending time in indoors increasing, for example, online food purchases and the increase of domestic food such as HMR and processed foods, etc. Health functional foods and nutritional supplements are also expected to continuously grow the sales.

According to the research from eBay Korea, there are top 5 products are greatly selling via online after COVID-19 outbreaks; 1) Health related products including masks, 2) Snacks, 3) Delivery Food, 4) Consumer goods, 5) Frozen food. Especially, the sales of Health related products has been increased approximately 598% compared to the previous year. With the demand for E-commerce industry, there is a growing need for faster deliveries even after the COVID-19 pandemic.

Reference: March 23, 2020; Citydaily

Huge Shuffling of Supply Chains Globally After COVID-19 Shutdowns

The spreading coronavirus is showing the seeds of a broad transformation of the global supply chains these days. For many global companies, the COVID-19 crisis has highlighted the downside of their dependency on China. Before the COVID-19 outbreak, company could possibly place an order and have it confirmed in within three to four days.

However, now it is taking about two to three weeks as well as even the products that company orders would be shipped. The South Korea Trade Minister, Sung Yun-Mo held a meeting with representatives from trade organizations and semiconductor, automobile, shipbuilding industries and state-funded economic think thank representatives in Seoul to minimize the damage to the Korean economy.

While China is gradually returning to work, it could take several months to build back the current ecosystem of global supply chain. With U.S., Japan, and Korea are now still dealing with rising of COVID-19, there will be more and longer disruptions to global supply chains.

- 1) March 20, 2020; CNBC
- 2) March 17, 2020; MOTIE



Image Source: March 26, 2020; Yonhap News Agency



Image Source: April 6, 2020; Bloomberg



Image Source: April 2, 2020; Yonhap News Agency

Sales of Korean Automaker in Mar.

(in units)

	Domestic			Overseas		
	2019	2020	yoy growth	2019	2020	yoy growth
Hyundai Motor	72,180	70,111	3.0%	236,323	320,066	-26.2%
Kia Motor	51,008	44,233	15.3%	175,952	198,137	-11.2%
GM Korea	8,956	6,420	39.6%	28,953	36,576	-20.8%
Renault Samsung	12,012	6,540	83.7%	3,088	7,256	-57.4%
SsangYong Motor	6,860	10,984	-37.5%	2,485	2,606	-4.6%



Image Source: April 2, 2020; Maeil Business News Korea

Korean Global Leading Manufacturers' Production Bases Overseas are Shutdown

Korean Manufacturing businesses around the world are slowing or halting their operations due to COVID-19 spread. It is also happened to prevent workers from coming to infected with the coronavirus and to respond to reduced demand from consumers.

That is not good for the industry environment, especially, to the chemical industry as it is the backbone of manufacturing industry. Although chemical production is critical in the fight against the COVID-19 pandemic, firms see a significant slowdown in business ahead.

Some have already stopped its production lines. Auto manufacturing is a major consumer for chemical production. The government authority needs to take appropriate measures to turn the pandemic into opportunities to not only push for structural reform but also must promote innovation.

- 1) March 19, 2020; Yonhap News Agency
- 2) March 23, 2020; KBS

Installation of The Real Digital Infrastructure: Online Tools Used for Education

To prevent the spread of infection, the Education Ministry announced that schools will switch to online learning in stages, while most universities have already switched to online learning. South Korean students are set to begin the new academic year with online classes starting from Aril 9, while schools remain physically closed.

However, there are also growing concerns about how elearning can be done effectively and whether schools have the right equipment, skills and experienced teachers to do so.

According to the IT industry, elementary, middle and high schools and universities across the country are using Zoom, a U.S. video conferencing service established in 2011. However, it is said that some of the local video conferencing services are also being considered.

Reference: April 5, 2020; NEWSIS



Image Source: March 31, 2020; Yonhap News



Image Source: March 18, 2020; TGNews

Image Source: March 24, 2020; Daily News



Image Source: March 18, 2020; Yonhap News

Impact of COVID-19 on Tourism/Service Industry

Hospitality:

The number of foreign tourists has been reduced, the hotel revenue on rooms, conference and social events and even F&Bs is expected to decrease significantly.

Due to restrictions on external activities of the group, various events have been canceled and it will affect to the sales of hotel's additional facilities including restaurants and amenities.

Airlines:

With the global spreads of COVID-19, airlines around the world are expected to see massive sales loses. Especially in Korea, the aviation crisis is expected to intensify as more than 150 countries prohibit Koreans from entering and strengthening the immigration process. (Actual number of flights operated in the 3rd week of March decreased by 68.7% compared to last year.)

The number of passengers per flight is also greatly decreased so the profits of airline industries are expected to deteriorate significantly.

- 1) 2020 Samjong KPMG Report
- 2) March 18, 2020; Yonhap News



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This material is distributed only to update the latest news in South Korea by referring to news articles and policy briefings.

If you have any questions regarding the updates, please contact at:

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